
ABOUT SCIENTIFIC TRUTHS AND ERRORS IN ECONOMIST'S LIFE*Cosmin Marinescu****Abstract**

The ideas have a fundamental importance for world's destiny. So, the scholar in economics has the consciousness responsibility to make the difference between correct and incorrect ideas. Within the human civilization world of thinking, the scientific ideas (universal truth) represent the essence of logical structure of human mind and, in the mean time, the truths about the human action and society that can be discovered by the man. In this approach, I will argue why the scholar honest-mindedness must be his life principle. The scientific man can so understand and fight for healthy and correct ideas that protect life and human cooperation in society, against the incorrect ones that, sooner or later, will destroy them.

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In the evolution of society, ideas represent the essential engine of every change. There are no implacable rules of history and the future is, neither written in stars, nor in economics and cybernetics modeling, that had become the sterile fashion of economic journals – journals in which economics is the endangered scientific species. History, as well as future development of events, were and will be determined by ideas, those being false or true. Trade and the labor division, prosperity and social cooperation, poverty and political exploitation, the born of the state, the transition process from monarchy to democracy, socialism and anti-state resistance, the peaceful or violent fall of governments are examples that were and are the result of permanently competing and evolving ideas, depending on the way in which they are spread and fixed in people's minds.

The success of human actions fundamentally depends on ideas, on the way in which ideas and ideologies model the mental constructions used by people for interpreting the world and for adopting decisions. However, not all the ideas are matching alike in ensuring the success and the economic development; if they would be so, they would become the neutral residual variable in any judgment of human action.

The non-neutrality of ideas for the world's destiny makes the scientist to bear the responsibility to make a difference between the correct and the incorrect ideas. I do consider that in the amalgam of ideas belonging to human civilization, the correct scientific ideas represent the quintessence of human mind's logical structure and, in

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the same time, they constitute the truth about the world, truth that can be discovered by men.

In this study I will bring my arguments with respect to why the good faith of the scientist must be his vital principle in order to supply and to defend the correct, healthy ideas that protect life, against those that, sooner or later, will destroy it. In the modern world built by and between state policies, the recent economist¹ as a policy-maker bears an additional responsibility for the destiny of the ideas that he promotes. Finally, being Marxist, socialist, Keynesist, liberal, communitarian or something else, the “recent economist” discovers his faith in making a better world, being afterwards judged on the altar of science for the manner in which his ideas have influenced peoples’ lives.

1. From the Theory of Relativity to Theory Relativization

I cannot imagine science otherwise than a permanent effort of searching and identifying the truth and the fairness in life and society. Such a reporting to the methodical virtues of science necessarily and preliminarily signifies that faith in the existence of truth and justice, as well as, in the power of human to approach these values is proved through judgment. This study represents a plea for the virtues of logic and faith in truth and justice. Moreover, the original signification of the word “science” – *scientia* – is correct knowledge. Bearing this clarification in mind, doubled by the faith in truth, maybe the researchers would become more responsible in calling any approach as being a “scientific” one and implicitly they would become more exigent with their own creations.

Acquiring *correct knowledge* is not an axiomatic exercise in itself, aimed at building those judgments, ideas, theories that have the capacity to challenge time and space; to *do science* implies, in the same time, to discover and to eliminate all the errors that the human mind is able to identify and eliminate, fact that shows the necessity of combating the erroneous ideas whose imposition and popularization generates poverty and conflict, as history shows. The example of failed “social engineering”, such as socialism or economic nationalism, proves that in science things unfortunately happen as they do in life: not always scientists that deserve to be renowned are renowned and not always those that have a good reputation deserve it.

I thus express my fear that the “*relativist world*” of the 20th century, such as it was characterized by the famous historicist Paul Johnson, finds itself in the academic field under a relativism of knowledge, fact that easily undermined the credibility of the scientific intellectual exercise.

¹ If in this study the “recent economist” represents a phrase in extension of the “recent human” of H.R. Patapiević (2001), this does not signify that the first has an uniform responsibility, since the real scientist, as intellectual elite, has the duty to contribute his judgements to the truth and life and to enlighten through science a peaceful and prosperous society.

In contrast with the correct knowledge, it can be actually remarked a certain type of anti-intellectualism that parasites not only the evolution of science, but also the culture – at the most general and sensible level of addressability. This worrying evolution can be translated through the abandonment of individual conscience in the “collective” state identity, through the erosion of the individual autonomy spirit, through the disaggregation of the individual by today’s mass minorities (ethnic, political, cultural, sexual etc.) The phrase “think with your own mind” had probably become out of fashion and in equal manner useless since the life and the human problems end up in ready-mixed models in the social hierarchy. The scientific world itself has gradually become captive of a sort of “scientism” whose nature finally proves to be “anti-scientific”¹. Should it be all about a scientist assault over logic, over rational judgment? Or should it be about optimizing good by underlining bad?

Not seldom can we remark the passive attitude of “what does it matter?” type, being it in different polls or in academic debates. This moral and intellectual relativism – which is born even in prestigious academic labs – can be easily recognized in formulas like “nobody has monopoly over truth”, “each and every person is right in its own way”, as if justice and truth would in reality be mandatory derivations from the right of opinion. Thus, the relativist sustains that there is no assumption having universal content.

In world’s vision about post-modernity, the only faith is that no essential reality exists; that everything is relative or otherwise stated that there is no ultimate criterion for making hierarchies in order to distinguish truth from false. The question of concern is whether this intellectual relativism perverts the full affirmation of the human personality and of fair social institutions or disqualifies the scientific act through popularizing in an interesting manner a faith that is obviously misleading, regarded through the eye of correct scientific knowledge.

The confusion between the relativity theory and making the theory relative, as a method, has contributed to making both truth and justice relative – however these philosophical categories cannot ontologically exist separately. The word of order has become tolerance above the necessary human spirit: we gradually learned to tolerate ignorance, superficiality, lack of morality, even fraud – if it is legal and derives from the discretionary “democratic” governmental power. The inevitable consequence lies in the multitude of dilemmas that actually suffocate the moral and cultural values:

¹ Almost all that is written actually in the field of economics is presented both to the academic world and to the public debate under the wrapping of “scientific product”. Irrespective of how logic or contradictory is the rationing in these writings, they are nonchalantly put under the scientific umbrella. As a result, it seems that everything one thinks about his/her object of research is scientific. Very often completely opposing theories, theories that offer contradictory explanations for the same economic phenomenon, are tolerated as being “scientific” despite the fact that it is easily understood that not all writings are correlated with the correct knowledge of science. Clearly this gradually leads to the decrease in the value of science, being it utopian or lacked of logic. For example, the term “scientific” was often used by Marx in order to distinguish himself from his ideological adversaries. “He and his work were “scientific”; the others weren’t” (Johnson, 2002:81).

cloning, abortions, ecological problems, euthanasia, freedom of opinion, arms possession, prostitution and homosexuality, immigration, social security, sustainable development, war and terrorism etc.

The example of war is the illustration of the fact that many things which people knew and learned about, that were bad, are sometimes considered to be appropriate. The reciprocal is unfortunately valid as well regarding some ethical values that have ensured for centuries the very basis of the human civilization. In this manner arises the impossibility of stating a principle argument for or against ideas and phenomena, irrespective of how incorrect and lacked of logic they may be¹.

These confusions mostly bear the mark of multiculturalism and postmodernism as central academic movements of the contemporary society. Steven Yates shows that the major anxiety of postmodernism has its source in the incertitude regarding the virtues of truth, fact that explains both the lack of interest and the refusal to accept its existence. Under these circumstances it is easily understood why the academic discourse became captured by arbitrary, circumstantial arguments whose essence lies in interpreting whatever inequality as injustice and reducing the superior to inferior in all spheres of diversity. In the context of this harmonization tendency towards inferiority and egalitarianism, spreading the idea that participative democracy represents the indisputable cure for all the problems of the actual society highly contributed to consolidating a popular philosophy of indifference and superficiality.

If the essence of relativism is that “everything is relative, there is no absolute truth”, what are the arguments standing for trusting this assumption? If the relativist would apply his doctrine starting with his own assumptions, following the hypothesis that there is no way to decide which position is correct and which is not, the result would be that the relativist axiom does not represent anything else than a simple, arbitrary game of words. What is then the use of the researchers' efforts, struggling to formulate judgments, theories, fighting to amend certain rationing, as long as any theory is as good (relative) as anybody else's?²

The intellectual absurdity of scientific relativism is expressed through the denial tendency of whatever elementary principles of analytic knowledge. This is exactly equivalent with the very denial of the natural laws of the human society, even of the laws of physics that describe the functioning of the universe. For example, postulating the truth of an economic reasoning which is lastly deductible to trivial

¹ For example, once an empiric-positivist theory is adopted, we find ourselves in the impossibility of formulating some principle arguments against some unfortunate events that flagellated the human civilization, such as war, socialism, holocaust...

² There exists the faith that the major purpose of the scientist is not to educate (that is to offer logical frames for the principles that save the human society from chaos, poverty and moral disorder) but to “open the minds of the young”. The problem lies in the fact that the mind of people can be opened up using different means, not all of them being equally desirable for the peaceful life of the individual in society. My plea is that we don't have to be indifferent to the means in which the professors “open up the mind” of our children, if their “lessons” instigate to violence, racism, political exploitation, war, or if they are aimed at protecting the life and the fundamental ideals of people.

evidence (of the type of “ $1+1=2$ ” axiom) is met with reserves, sometimes on the paradoxical ground that mathematicians did not say their final word regarding the validity of the arithmetic operation “ $1+1=2$ ”¹. Such a credo undermines the scientific realizations that have been rooted over centuries in even the matrix of the human civilization.

For example, we put the problem of the capacity of the scientist to answer the question “if a healthy apple plus a rotten one always equal two apples”. The anatomy of the above arithmetic shows a different result. *For the scientist* “ $1+1$ ” will always equal “2” because the human mind is logically structured on the fundamental ground of “unity”. Moreover, the real scientist is the one that *does not add up* one healthy apple with a rotten one, an honest person with a criminal, a governed with a governor, an exploited person with an exploiter, etc. For scientific knowledge such an arithmetic exercise is not only irrelevant, but also a generator of confusion and error. However, for the *politician*, the implications of arithmetic are easily quantifiable. For example, by adding up a healthy apple with a rotten one, he may declare that ... the standard of living has increased; by adding up the millions of the millionaire with the zeros of the beggar, the politician will say that the “society” is generally ok!

The postmodernist thinking managed to forget whole centuries of rational thinking, periods of systematically employing the logic in the search for truth. The Greek idea that something precise can be said only about the things that are time independent dominated the philosophical thought until modernity decided to embrace Nietzsche’s request for “revaluing all the values”². In the post-modern world the humans are not convinced that gaining knowledge is a good thing in itself. For Aristotle knowledge offers power; Francis Bacon is the one that programmatically postulated that “knowledge is power”. Being in the middle of the process of “democratically revaluing all the values”, the contemporary society reversed the identity of Bacon into “power is knowledge in the same time”. If the pre-industrial society had understood the identity towards science, the post-industrial society interpreted science as power³. As Zygmunt Bauman (1992:VII) writes,

¹ For the extreme relativist, the result of a mathematical operation is arbitrary, “ $1+1$ ” could equal “3”, “100”, “1176” and (why not?) an infinite. Do we make a mistake when we teach our children in schools that “ $1+1=2$ ” or that, according to elementary logic, “you cannot eat this pie and keep it for later in the same time”? If the relativist says that “ $1+1$ ” may equal “5”, would he be willing to give up a banknote of 500 EUR in exchange for 2 banknotes of 100 EUR in order to protect his own credo? Even in the situation in which he would accept this monetary sacrifice, wouldn’t he just diminish the means employed for his own purposes, thus contrary to his credo?

² The classical Greek thought culminating in the works of Aristotle who gave the Westerners a profound rationalist attitude: the perception of humans as *rational* animals, the highest respect for logic and logical thought, a strong faith in the existence of the natural law and of the cognoscibility of human and nature, a strong realism and the “human spirit” (Hoppe, 1997).

³ Thus, postmodernism has its roots in the complete politicizing of the social life, as H.R. Patapievici (2001:133) shows: “the essence of the postmodern agenda (...) is fundamentally politic. However, the political scope of the postmodern assertion is to remove any reference to universal and to bring the human sciences in the situation in which in the future any reference to universality, coming from a

“Postmodernism... does not aim at substituting one truth with another one, one beauty standard with other, one life ideal with other. More than this, it divides the truth, the standards and the ideas in parts that have lost their structure and parts that will lose their structure. (...) He proclaims himself for a life without truth, standards or ideals”.

The removal of ideals, faiths and criteria manifests in recent times mostly in which regards the relation between science and deity. The scientific objectivity that protects a lot of utopia has to exclude all that it does not assume. Not randomly have scientists and reputed intellectuals from recent history less things in common with ethics than with atheism¹. This tendency appears due to the fact that the scientific idea is not to believe in God, and thus the perception that God does not exist. Science cannot identify God, because it excludes Him from the start and any demonstration cannot find just the things it assumed in the beginning hypotheses: “the argument of revelation critics is thus circular: in order to prove the falsity of the Bible, they assumed from the very beginning that the Bible is fake, that, otherwise stated, the Bible cannot base itself on the existence of miracles” (Patapievici, 2002:71). However, despite the fact that early Christianity, including the Bible, had an ambivalent attitude, sometimes even contradicting economic laws, the religious faith is almost always put into an ethical-juridical framework that the economist cannot ignore, as I will prove in the final part of this study.

One of the important sources of the scientific relativism, especially in the field of social sciences, lays in the fact that history rather than theory is the one that managed to attract attention. Each individual, each tribe, each population, was seen as owner of its own history. Since no absolute standards of good and bad existed back then, all histories were appreciated as being equally valuable (historical relativism). Through history it was not intended the expression of some judgment about the past or forecasting the future, but the revelation of multiculturalism, of human tradition diversity. Hans-Hermann Hoppe (1997:1) writes that “according to historicism, there is nothing “good” or “bad” from an ethical point of view, all ethical judgments being considered subjective. Moreover, with the possible exception of logic, mathematics, and natural sciences laws, there are no positive universal laws. Economics and sociology are just a history, a sequence of past actions and events of which you can learn nothing else than the fact that “that’s the way things happened”.

The new political and cultural universe of modern society leaves no room for the traditional conception regarding logic, which is that logic is the same for everybody, since the human nature is the same, irrespective of the skin color, sex, nationality, religion, etc. Gradually, the multiculturalism doctrine transformed the very idea of logic, considering that logic is no longer the same for everybody, but a multi-polar logic, derived not from universal criteria, but from sexual, cultural, ethnic

serious researcher, would seem to the great public and to the intellectual community as dual, dangerous and fundamentalist as a return to God’s church today, in the democratic politics.

¹ See Paul Johnson, 2002.

and circumstantial ones¹.

A new faith seems to dominate the academic thought of the last century; I am talking about the doctrine that Ludwig von Mises identifies through the denomination of polylogisme. This appears as the conjugated result of historicism and empiricist positivism, philosophies that in fact undermine the a-priori methodological basis of economic science. For example, historicism assumes that the logical structure of human mind and of the thinking process is subject to change during the historical evolution, whereas the racial polylogisme attributes to each race its own logic. In essence, the central thesis of polylogisme, in its Marxist version, is that there are two types of logic, one for the occidental civilization and one for the cultures that are subject to its “exploitation”, or, in relativist version, that there is logic for each culture and historical context. However, as the economic science and history proved, the Marxist polylogisme is a failed strategy to save the unsustainable doctrines of socialism, through the substitution of logical reasoning with intuition, attractive attempt for those inclined to popular superstitions? This is the reason for which Mises (1966:85) shows that “the attitude puts the Marxist polylogisme and its product, “the sociology of knowledge”, in an irreconcilable antagonism vis-à-vis the science and the reasoning”.

For example, the idea that Marxism is a science appears strongly rooted in the intellectual environment of many countries, especially in the countries that had something to do with the socialist experiment, despite its dramatic failure. The great historic Paul Johnson (2002:82) shows that the phenomenon spread also in the non-Marxist world, “due to the fact that intellectuals, and especially academicians, are fascinated by power, whereas the identification of Marxism with a powerful physis authority tempted several professors to accept the Marxist “science” in their disciplines, especially in the non-exact or quasi-exact fields such as economics, sociology, history and geography”. It is possible that if the war for Central and Eastern Europe would have been gained by Stalin rather than Hitler, thus ending up with the implementation of his own policies over a great part of the world, the Nazi doctrine (which pretended itself to be scientific, according to the racial theory it sustained) would have had an academic allure and would have entered all the universities in the world. The military victory however ensured the imposition of the Marxist “science”². However, what can be “scientific” in Marx’s writings or in the Nazi doctrine? The undesired experiment of the “rationally planned society” meant

¹ For example, the Marxist theory suggests that the human’s thinking is determined by his class affiliation. Each social class would have inherited its own logic. The products of thought can thus be nothing else but an “ideological mask” of egoistic class interests of the thinker. In the Marxist opinion, the Ricardian theory of comparative costs has no fundaments due to the fact that Ricardo was a bourgeois. German racists condemn the same theory due to the fact that Ricardo was a Jew, whereas German nationalists do the same on the ground that he was British.

² The arrival of nihilism for Nietzsche and the distributive logic of capitalism for Marx seem to have the same signification, such that “if the philosophic prophet of postmodernism was Nietzsche, its economic prophet has indubitably been Marx” (Patapievici, 2001:146)

in reality the exit of the human society from the human framework and its regression back in history, in the animal world of slavery, totalitarianism and state exploitation.

In the middle of these problems has gradually appeared the less desired idea that ethical standards represent simple social conventions, fact that would impede the possibility of ethically validating a multitude of “*alternative institutional arrangements*”. However, the contradiction comes from the very fact that this approach ignores the exigencies of the simplest test: the uniqueness character and the universality of human nature, of natural laws to which the entire human being conforms to. In this sense, the universal charter of human rights made history not because it referred to “people” and attributed them “rights”, but because it strongly and finally assumed that the human rights are written in his very nature and are thus *universal*. The fact that there are relativists sustaining the human rights that do not even realize the inconsistency of their position, represents the typical confusion of post-modern epoch. (Patapievici, 2001:401).

It is irrefutable the fact that the polylogist argument represents nothing else than a dissembled attack towards the economic science, a relativist exercise of sublimating the “correct knowledge”, especially in the field of economic policies. Socialists, racists, nationalists and statist failed in their attempts to reject the economists’ theories and to prove the correctness of their mystifying doctrines. This very frustration is the one that stimulated them to deny the logical and epistemological principles on which the entire human thinking is based, both in economic activities and in scientific research¹. In the end, the validity of a-priori fundamentals of logic and economic science cannot be proven without making a reference to these very fundamentals. Rationality is the primary, natural given of the human being, the existence as such of human rationality being itself a non-rational fact. The only assumption that can be formulated with respect to reasoning is that it represents the distinctive feature that separates men from animals and that attracts with it everything that is specific to humans.

Rationality is, in fact, the only method that researchers have at their disposal, the same method through which can be argued the unacceptable character of scientific relativism and through which can be proven that there are positive universal laws of (economic) science and ethical truths on which the human civilization is grounded.

¹ The real scientist is not allowed to reject the “relativist objections” (a flagrant contradiction in fact) only through invoking the partisan prejudices that inspired them. In order to discover the errors, the scientist has no other arsenal than logic, the only mental instrument that can stay at the basis of “correct knowledge”. Ludwig von Mises (1966:91) shows that “to remove a theory through invoking its historical origins, the “spirit” of the times in which it was formulated, the material conditions from its country of whatever personal particularities of its authors is a helpless strategy. A theory is not subjected but to the tribute of reasoning. The adequate criterion for analyzing it is always the reasoning criterion. A theory is either correct or incorrect. It is possible that in the actual state of our knowledge not to have the possibility to decide regarding its fairness or lack of fairness. However a theory can never be valid for both a bourgeois and an American and invalid for a proletarian and a Chinese.

Obviously I do not want to suggest the fact that rationality can ever make a man know everything. Irrespective of how much would knowledge increase, there will always be things having the statute of last data, which are not destined to any additional clarifications. The only sure thing is that rationality and science can foster human progress and are able to prepare a future of good and justice.

2. ... about the method(logy) of economic science

The most significant errors committed in the economic science have methodological and epistemological roots. In time, these errors get to reciprocally maintain themselves and to perpetuate. This is the reason for which I will further on stop to investigating these aspects. The implicit scope is to understand that *methodology*, that is the logic of the economic science, is based on the natural laws of human action, as I will further on show.

The contemporary philosophy of science is in great part a reaction against empiric, logical positivism and the ideas of Karl Popper, approaches that however remained sufficiently influent between philosophers of science and economists¹. The empiric position, as general approach, that includes the logic positivism is based on the assumption that *no theory can exist in the absence of observations*, that a theoretical statement is true only if it is based on a non-theoretical ground, thus on observations.

The attitude towards economic science fuelled by positivism is that of the relativist social engineer, whose motto is “nothing can be thoroughly proved as impossible in the field of social sciences”. It is no doubt that this message has been rapidly interpreted by the political power as an important ideological arm through enhancing both the politicizing of science and the control over the society. As a consequence, a strong political support has been given to the positivist movement, who “returned the favor by destroying ethics and economic science – traditional pillars of the social rationalism” (Hoppe, 1997).

The empiric and positivist philosophy is based on the next thesis: knowledge regarding reality, known as empirical knowledge, has to be verifiable or, at least, falsifiable through experience; if, *mutatis mutandis*, knowledge is not verifiable or

¹ Taking into account the repeated “non-realism” complaints brought to the economic theory, the Friedmanian methodology of logical positivism is based on the idea that the positive science means “the development of a “theory” or “hypothesis” able to offer available and significant predictions (not reducible to truisms) about phenomena not yet observed” (Milton Friedman, 1953, „The Methodology of positive economic science”, in Daniel M. Hausman, ed., *The Philosophy of Economic Science*, Ed. Humanitas, Bucharest, 1993, p. 193). In his powerful essay, despite the fact that Friedman explicitly and justifiably rejects empirics, he argues for an instrumentalist point of view over science, according to which the goals of economic theory are predictive rather than explanatory. According to the general Friedmanian argument, the theory is validated (or alternatively non-falsifiable) through its capacity to formulate “correct predictions”: “the only relevant test of the *validity* of a hypothesis is comparing its predictions with experience” (Friedman; 1993:196). This means that in a strictly instrumentalist framework, *theory is never true or false, but rather adequate or inadequate*.

falsifiable through experience, than it is not knowledge about reality (empirical knowledge), but analytical knowledge, which should not even be considered knowledge as such. It is not at all obvious that logic, mathematics, geometry and assumptions of pure economics – as for example the law of demand and supply, the quantitative theory of money – would not offer information about reality and would be pure verbal games, because they do not allow for falsification through experience, or rather because their validation is independent of experience. More exactly, the assumptions of these disciplines – as for example the geometrical statements such as “a triangle has three sides” contain information about reality, information about things that could not, without contradiction, be otherwise in reality (Marinescu, 2004:38).

By adopting an empiric epistemology according to which there is nothing in reality that can be really known before some future experiences, that is able to attract confirmation or falsification, is in fact equivalent with the impossibility of validating a principle argument, universal and categorical¹.

The credo of logical positivism that “only experience is able to lead to synthetic assumptions” becomes contradictory through the fact that this very assumption is an analytical one, synthetic *a priori*, because its truth cannot be established through experience. Such an epistemological position of *a priori* knowledge through purely conceptual and deductive rationing constitutes the scientific realization of the Austrian school of economics. Ludwig von Mises is the one that argued that the fundamental assumptions of economic theory are synthetic truths *a priori*. Economics thus designs a theoretical and systematic science, not a historical one. Its assumptions are not derived from experience; they are *a priori* deductible and conceptual assumptions, similar with those of logics and mathematics². The fact that the humans do not have the creative power to imagine categories incompatible with the relations of fundamental logic and with the principle of causality shows the necessity of adopting a *methodological apriorism*. The aprioric character of science does not open the development perspective of a future science; we do not sustain in this respect that economic science should be aprioric, but that it is and it has always been like this.

From the Christian Middle Age until the illuminist 17th and 18th centuries, a systematic body of economic theory has been developed, strongly connected with the development of a “normative” theory of natural rights. This has culminated in

¹ Hoppe (1989:101) shows that, irrespective to the empirical errors of socialism, “once an empiric-positivist theory has been adopted, that is once the idea of formulating a *principle* argument for or against socialism is put aside [...] socialism becomes immune to all decisive critics” because any failure can be justified through different variables, still uncontrolled details of the socialist politics. Moreover, when adopting an empiric philosophy it may be pretended that even the general argument of the impossibility of economic calculus in socialism cannot constitute strong evidence against the failure of socialist planning.

² Mises (1966:36) argues that these assumptions “are not subject to verification or falsification based on facts or experience. They are, both logically and temporally, antecedents of whatever understanding of historic facts. They are a necessary condition for intellectually analyzing the historical events.

the writings of Cantillon and Turgot. According to this intellectual tradition – continued in the 19th century by Say, Senior, Cairnes, Menger and Böhm-Bawerk and in the 20th century by Mises, Robbins and Rothbard – economic science was understood as the “logic of human action”, as a theory of human behavior, as most economics books prescribe today. Starting with axiomatic assumptions and combining them with a couple of empirical and empirically verifiable sentences, the economic science has been conceived as an axiomatic-deductive science, whereas economic theories were seen as assumptions that are in the same time both realist and non-hypothetical, that is they are true *a priori*¹. Even if these theorems contain information regarding reality, they are not hypothetical statements – empirically falsifiable – but they are true through their very nature.

As opposed to the methodology of physical and natural sciences – mainly built on observation – the nature of economic science makes the validity of the theories not to be appreciated on the basis of empirical investigations². Economic theory is not and can never be empirical in a positivist sense; it cannot base its assumptions on hypotheses than can or cannot be true, in the best case being all about the approximation of reality. Economic laws are a-priori laws that cannot be confirmed by using natural sciences methods.

¹ As for example there are some economic assumptions: in any voluntary exchange both partners necessarily anticipate that they will have something to win from the exchange because they attribute non-equal values to the goods subject to the exchange – each of them attributes a higher meaning (value) to the other's good than to its own; otherwise the exchange would be nonsense. Another example is: every time laws of minimum wage that make compulsory wages higher than those that would exist on the free market are instituted, involuntary unemployment appears. Another example: when the quantity of money is increased and the demand for money remains constant, the money purchasing power will decrease. Another example: whatever quantity of money is equally “optimal” such that no increase in the supply of money will, on the long run, lead to an increase in economic welfare, but will generate redistributive consequences. Another example: state property over factors of production makes the calculus of costs impossible, fact that explains the impossibility of economic calculus and leads to an arbitrary allocation of resources.

² Economic theories that are both built and verified empirically, on an observatory basis, cannot be valid, correct in general, but only in isolated cases. Moreover, such a method of making “science” has received irrecoverable damage. This is the famous and equally amusing case of the “theory of solar spots” through which William Jevons – an important name in economic theory – argued the business cycles explanation. Equally paradoxical is the manner in which some economists and politicians (see the public agenda recently created in Romania) invent extra-economic justifications for inflation. If the statistic analysis shows that in good agricultural years inflation was lower, than the empiric-economist will hurry to conclude that there is a causal effect between weather and inflation. Thus the public opinion will be manipulated towards thinking that the inflation responsibility has to be divided between the Central Bank (as public organisation that has monopoly over the issue of currency) and God. Every time a healthy economic culture lacks among the public opinion, an inflationary monetary policy can be “rescued” by invoking God's will. If monetary policy was accidentally more responsible in good agricultural years, this does not imply that inflation theory has to be built around the natural and divine factors. Inflation is an exclusively monetary phenomenon, created by men rather than reflecting God's will on Earth.

What essentially differentiates the human being from the exterior natural universe is the freedom of choice: people are aware of their actions and are able to change their course through different options. In contrast, the elements of the physical universe do not have the capacity of choosing their own trajectory: molecules, planets, etc. follow a strict, mechanically determined path. If the physical scientist can accurately establish the position of the Moon in comparison with the Earth at a certain future point in time, the data is much more complicated and almost impossible to control with respect to human action or to entrepreneurial initiative; in the field of human action and social phenomena that are subordinated to incertitude the *ex-post* accuracy of the forecast can be nothing but randomly.

Thus there is the necessity for every social science – as a science of humans – to base its explanations starting from the capacity of every human being to make choices. The only *ex-ante* accurate forecast is to know the fact that the individuals deliberately use means (those that each consider to be the most appropriate) in order to reach their goals, whatever they may be. The answer to the questions *why* and *how* individuals choose their objectives do not represent the subject of interest of economic science, these being investigation problems in the field of psychology.

The essence of social science is the man that acts: the individual human being, having its own aspirations and ideas regarding the most adequate means to be employed for satisfying his purposes, whose actions are not governed by quantitative, determinist physical laws. In this respect, the statements that interpret individual action as the expression of an organic collective will are well known: “society determines the actions of men that compose it”; moreover, economics textbooks, mostly those that justify some collectivist policies, are full of confuse concepts, most of them impossible from a logical point of view, as for example “general interest”, “strategic interest” or “social utility”. But what is “general” and for whom is “strategic”, in this case¹?

Gradually, the intensification of using abstract collective concepts – especially the use of the term “society” with the meaning of a distinct entity that “thinks”, “feels”, “acts” as a person – undermined the rigor of economic analysis and even of the social research. Once it is understood that actions are exclusively individual, this perspective becomes almost absurd: *if society is responsible for the criminal acts, than the true*

¹ Politicians can more easily promote the “legitimacy” of their policies by arguing that these address the “national interest”. Any political programme assumes a glorious title because it is designed to serve the “national interest”; it is however strange that the contradictory policies applied – justified through different ideological positions – can finally end up in serving the same “public interest”. Most of the time history showed us that hidden behind the scientifically meaningless assumption of “general interest”, plenty of governors sacrificed the prosperity of their countries’ citizens in order to materialize their thirst of political power. The reality of the contemporary democracy shows us that the “national interest” significantly changes its nature from one political mandate to the other, together with the change of the holders of political power, those that govern the states. Even socialism and other forms of dictatorial governments were justified through invoking the “national interest”.

“guilt” is born by those that never commit crimes. Moreover when it is pretended that the academic environment is the one that “produced” a certain scientific work, it results that all those that work in that specific field have to receive prizes, together with the author that signed the respective intellectual product.

The history of social sciences confirms the fact that the *individualistic* vision over the human nature is the common root of all the theoretical assumptions about men and society, against any other holistic approach. Methodological individualism is based on the fundamentally praxeological conception according to which *human action is always exclusively individual* and considers the individual as the essential unit of analysis, whose behavior has to be studied¹. Only man as individual person can have goals and not the “country”, the “nation”, etc. “Society” is not “somebody” to have goals, preferences, a specific way of life, conscience, etc. Nobody can exemplify the manner in which society lives other than by looking at the actions of the individuals. Talking about the independent existence, life, soul and autonomous actions of a society constitutes a metaphor that can easily lead to serious errors. From this very reason the question whether the individual or the society represent the end goal whose interests have to be subordinated to the interests of the other becomes irrelevant. The category of *goal* (interest, objective) does not have a meaning but when it is applied to *action*, whereas human action is exclusively individual.

The Smithonian plea according to which nothing is necessary besides the following of the personal interest for obtaining general prosperity is eloquent; the market is thus the institutional framework for realizing the *harmony of individual interests*. The free market system, in which the gain of one is the reward for offering services to the others, is based on social cooperation, not on force and coercion: it is a participative system of society in which each individual is respected because nobody in particular receives favors. In opposition to the system of political power and its corollary, the taxation does not function on a contractual basis, similar with the voluntary nature of exchange on the market. Where is thus the harmony between the politicians’ interests, the bureaucracy of the state apparatus, to manipulate as many coercion-taken resources through taxes, and the interest of the tax-payers (from the private sector) to share with the others as little as possible from their work?

A frequent error that derives from the same methodological derivate is made both by the adversaries and by the supporters of the market economy when they pretend that the “market is impersonal”. Some complain about the fact that the market is too impersonal because “she” does not produce the outcomes that they desire. Is *“the market” guilty?* I do not know this person! The market is not an entity

¹ According to the examples given by Mises (1966:43) the state is not the one that executes the murderers, but the executioners, through their concrete actions. Despite the fact that it is understood that a specific nation conquered a territory, that conquest cannot be perceived besides the individual actions of officers and military from that specific army, individual persons that have individual will and can be identified by name, surname etc.

that takes suitable or undesired decisions. The concept of “market” does not represent anything else than a label to name a system of voluntary interactions between persons, individuals that have property rights over the exchanged goods. No “automatic” or “anonymous” forces activate the market “mechanism”. The only factors that “guide” the market and determine the price are human actions. There is no type of automatism; there are just individuals that deliberately follow sought ends and deliberately employ certain means for their attainment. On the free market the bad results of one individual reside from the fact that his suppliers do not desire to sell cheaper and/or his clients to buy more expensive, legitimate economic fact taking into account their property rights and their “maximizing calculus”.

Lately, the consequence of holism that gradually became methodological is that the economic theory has been subject to “modelization”, that is to the obsessive need of building “models” of the economy and its functioning. The absolute reversal of the methodological approach appears on the ground of the demands of more and more modern economists that economic theory can be interpreted following the same quantitative treatment as physical sciences: the original motto of the Econometrics Society is “*science means measuring*”.

But how can *we measure the value* of one good? Can we measure them by employing goods or the monetary units that an individual accepts in order to give up to them? Definitely not. The exchange as a market phenomenon appears as long as each participant evaluates the good that is about to receive as being more valuable than the good he is about to give up to. The exchange is necessarily an exchange of unequal values, at least in an *ex-ante* anticipated stage. This means that *voluntary exchange is mutually beneficial* in the sense that both participants appreciate that they will better satisfy their needs through the exchange than without it; otherwise the exchange would loose whatever reason for existing.

If a student decides to give up a certain sum of money for an economics textbook we can say that for him the book “values” more than its monetary price (“monetary value”) or more than other goods that can be bought with the same amount of money. But with what value does the book overcome the other goods that the student has given up to? There is no possibility to solve this problem since the value is a *subjective* economic category. The conclusion is that the *exercise of measuring value is sterile* and the currency cannot have the function of value standard. These arguments exclude the erroneous idea that comes from Marxism and is strongly spread in today textbooks, that in an exchange each good is “the measure” of the other.

In the same context, despite the neo-classical “models” met in most economics textbooks¹, marginal utility cannot be a mathematically measurable quantity, by using

¹ In the academic field the economic thought has been captivated by the Paul Samuelson's *Economics* textbook. This is one of the most successful textbooks ever published in the economic field, together with the writings of Adam Smith, David Ricardo, John Stuart Mill and Alfred Marshall. The fifteen editions of this manual were sold in more than four million copies and were translated in forty one

the so called “utile”, unities that can be added up, subtracted and be subject to other mathematical operations. Marginal utility relates to a strictly ordinal classification, according to which each person classifies his actions and the goods according to the hierarchy of his preferences, without actually having a measurement unit for the value of these goods. In terms of proved preferences, choices reflect just pure orderings that do not reveal the differences of amplitude between the goods’ positions in the hierarchies of value.

If it is nonsensical to say that “utility can be measured” than, more lacked of meaning is the attempt to compare the utilities of different individuals. However, interpersonal utility comparisons represent the manner in which statist and egalitarian economists manipulated the utility theory over the last century. If we can say that the marginal utility of a dollar decreases once the individual accumulates more dollars, then can we also state that the government can increase the “social utility” by taking one dollar with such a low value from a rich person and offering it to the poor person, that values it more? The proof that utilities cannot be measured completely eliminates the scientific fundament of the redistributive policies. However, despite the fact that economists generally adhere to the idea that the utilities cannot be compared between individuals, they do not hesitate to add and subtract “social benefits” and “social costs”. A proof in this respect is the amount of economic studies that scientifically evaluate the gains and the losses of welfare at the level of the entire society or the national economy.

languages (see Skousen, 1997, pg. 137-152). Unfortunately the neo-classical apology of Samuelson raised a lot of analytic and methodological confusion in the economic science. The manner in which Samuelson’s ideas evolved is interesting, in the fifteen editions of the textbook, in essential problems for economic theory as the Keynesian model, savings, monetary policy, the role of government in society, socialism and economic growth. If in the first editions only Keynes was presented in a biographical note, being called “multilateral genius”, in the 7th edition (1967) Samuelson marks the end of the Keynesian domination by citing Milton Friedman’s statement from the *Time* magazine: “all of use the language and the analytical Keynesian apparatus; however no one of us accepts the initial conclusions of Keynesists”. Moreover, the perspective in which Samuelson presents savings evolves from the Keynesian dogma of the “paradox of savings”, when Samuelson expresses his hear that an increase of the marginal propensity to savings would cause the leakage of money from the system, thus transforming savings into a “social vice”, to the classical vision according to which a high marginal propensity to savings determines a high propensity to investments (in the 14th edition, the scheme of the savings’ leakage has been taken out). Being a defender of the activist government and of the welfare state, Samuelson culminates with the doubts he had regarding the economic performance of socialism; starting with the 5th edition until the 11th one, Samuelson presents a graphic that shows the distance between USA and USSR decreasing and possibly even disappearing (for example 5th edition:830). In the 13th edition (1989), Samuelson and Nordhaus declared that “the soviet economy is the proof of the fact that [...] a planned socialist economy can function and even prosper” (13:837). After the fall of communism in Central and Eastern Europe, Samuelson invoked the ability of the soviets to manipulate the statistics, declaring communism in the 15th edition a “failed” system. It is however surprising how a Nobel laureate as Samuelson proved such a high degree of ignorance to Ludwig von Mises’s argument according to “the impossibility of economic calculus in socialism”, according to which ever since the inter-war period Mises postulated the bankruptcy of the socialist system.

The legitimating of interpersonal welfare comparisons and the doctrine of methodological holism strongly contributed to the systematic expansion of government in society. The second half of the 20th century remarked itself through the unprecedented enthusiasm of activist policies for public spending: the challenges of socialism together with the recommendations of the Keynesist theory and the externalities and public goods theory stimulated this evolution¹. Moreover, the ascension of democracy favored the identification of the state with society. Historical studies show that most of the time the republican democratic states used the constitutional provisions in order to build their own prestige. Probably the famous sentence of Lincoln “*of the people, by the people, for the people*” was the most powerful propaganda strike that was ever given for supporting the prestige of the state.

However the capital sin of statism is the faith that the government can solve whatever problems of individuals; in democracy, politicians do not miss any occasion to affirm their intentions and their “creative” interventions for the usage of people’s life, how is always pretended. The problem is that in its immeasurable generosity “the social engineer” interferes with economic laws, with the natural order of an economic reality governed by universal laws. This is the reason for which any attempt to transform the world, either the material one or the human action one, without taking into account the rarity laws, the market laws, the currency laws, etc. will have the same success as a governmental decree that would coerce people to fly. Economic laws that have their roots in the very human nature are as immune to violence as the laws of physics.

For example, according to the Marxist doctrine, rarity is just a historical category that will be liquidated forever and for always by abolishing the private property. The socialist doctrine argues that the interest rate is an artificial phenomenon generated by the payment means’s rarity created by men, which stimulated the removal of money from “restrictionism” (the gold standard) and opened up the way to inflationism, to credit expansion. The myth of “statist welfare” is proven by the action of economic laws in any field: the government makes the goods “cheaper”, through imposing maximal pricing, thus leading to poverty; instituting a minimum wage leads to unemployment; the increase in money supply does not signify the increase in everybody’s welfare (maybe an increase in the welfare of some at the expense of others); financial assistance is incompatible with prosperity since redistribution alters responsibility and productive incentives; governmental spending cannot create additional jobs² but can reallocate the existing jobs between the private

¹ In 1888 the French economist Paul-Leroy Beaulieu argued that taxing the national production with 12% was too much and risked to hamper the economic growth and the freedom. Four centuries later even J. M. Keynes evaluated that a tax rate of 25% represents the maximum tolerable degree. However, they did not even imagine what was about to follow in the second half of the 20th century. Together with the beginning of the democratic republicanism, the engagement in the two world wars and the beginning of developing systems of social security and programs of public spending, the share of public spending in GDP increased to 40 and afterwards 50% between 1990 and 2000.

² The essence of this process is described by Walter Williams in this way: “The only way in which the

and public sector.

If in the past the apparent “failures” of the market economy were listed as arguments of statists, today exactly the contrary of this supposed insufficiency (that is the unprecedented success of capitalism) offers incentive to statists in order to subordinate both the state and the society to the market economy. The great challenge that liberty is facing in our days is the enormous prosperity – product of the private property, the economic market system – whose administration (to be read redistribution) the “democratic” governments do not want to miss.

In fact, whatever governmental interference in the voluntary exchange process means the arbitrary reallocation of the property rights implied. This certainly affects the entire system of exchange relations based on the manifestation of the affected property rights because any governmental intervention is equivalent with one of the following two phenomena: on one hand, it takes place *the institution of the mandatory character of some exchanges that wouldn't have happened on a voluntary basis in the absence of the respective intervention*, thus the intervention being unnecessary; on the other hand, it takes place *the banning of some exchanges (taking them out of the legal framework) that would have voluntarily happened in the absence of governmental interventionism*.

Faced with the “perfection” of a more and more statist social system, the individuals’ personality as essential unit of analysis is abolished, and the individual is made to resign. Any political decision, being it democratic or not, *constitutes an economic act* through the fact that it modifies the allocation of resources and the distribution of wealth in society. In the real world, which is governed by policies that generate *advantages for some and disadvantages for the other*, the Pareto optimal solutions become impossible. Moreover, recognizing the impossibility of interpersonal wealth comparisons rejects the scientific validity of the argument of “social efficiency”, case in which the problem is formulated in terms of “*efficiency yes, but for whom?*”¹.

For example, through commercial policy states generally protect internal producers from the competition of foreigners. The privileged position of national producers is thus made at the expense of consumers that are forbidden to access foreign products, better

government can give to an American a dollar is to initially confiscate it through intimidation from another American. In other words, in order for the government to make something good it is in the position to initially make something bad. If a particular would do the same things as the government does, it would be condemned as an ordinary thief. The only difference is legality, but legality sole is not an amulet for moral people. This reasoning explains why socialism is bad. It uses bad means (coercion) in order to accomplish goals considered as good (helping people)” (Williams, 2000).

¹ In reality the economic category of “efficiency” is derived from the fundamental categories of human action that is those of “means” and “purposes”. Efficiency intervenes when human action has as a result the *attainment of purposes*, meaning that efficient is the economic tribute of successful human actions. By reflecting the success of human action, “efficiency” cannot be applied to anything else but to personal actions. The fact that efficiency has individual, personal nature also explains its subjective character. Only the person that acts is capable of deciding *ex-post* whether the sought end was reached or not, by comparing the results with the anticipations that fuelled the action. The appreciation of the *success* or the *failure* of a choice, of an action, cannot be valid but if it belongs to the person that acts. Nobody can appreciate what can make other person happier.

and/or cheaper than national ones. More than this, consumers are in the position to even pay for the infringement of their right to have a choice. Thus, some are advantaged and others are disadvantaged, fact that is dependent on the capacity of interest groups and politicians to buy and respectively to sell privileges, and thus the *polarization of society* in winning and losing groups, one at the expense of the other.

Taking into account these conditions, how can “the recent economist” decide which legislative acts and which governmental policies are efficient since all these imply the *non-proportional distribution of benefits and costs* through coercion? Is it about the arithmetical comparison of ones’ advantages with the disadvantages of the other, having the same denominator, the economist being the one that draws the line and makes the final computations? (Marinescu, 2005b:50).

Actually, the undermining of the methodological individualism becomes even more powerful since economic theory is captured by the empiric fashion. Mathematics and statistics have completely replaced the deductive analytic logic from the classical economy and to write in a “scientific” manner is equivalent with a highly complicated usage of the mathematical apparatus. Specialized economic journals abound of mathematical models that seek to prescribe almost everything, from the quantitative sources of economic growth and inflation targeting to models regarding demographic fertility or sexual discrimination. Concepts like “human action”, “goals”, “means”, “value”, “incertitude”, “price”, “demand”, “offer”, “market”, “welfare”, “choice”, “cost”, “rarity”, “economic calculus” etc. used to ensure until recent times the essence of the economic approach; these were replaced in specialized research by a technical rhetoric, borrowed from mathematics and built around terms like “function”, “variables”, “coefficients”, “derivative”, “integral”, “regression” etc.

The mathematical economic approach derived from the works of the Swiss neoclassical economist Leon Walras eliminated almost completely the current language and the verbal logic from economic theory. Austrian school of economics and especially Ludwig von Mises systematically argued that mathematical equations are useful only for describing the imaginary, static and out of time land of “general equilibrium”; immediately after leaving this Nirvana world in order to analyze the human actions that take place in the real world, a world of time and anticipations, of hopes and errors, the mathematical approach to economics becomes not only irrelevant but also generates confusion and error.

The laws of human action are not quantitative, but *qualitative* through their very nature; the fact that human beings have objectives and preferences, together with the existence of the freedom to choose bans the discovery of a general law of quantitative nature. For example we can rely with absolute certitude on the economic law according to which each increase in the offer of one good, will *ceteris paribus* lead to the price decrease of that certain good; this does not allow us to *ex-ante* establish how much will the price of good have to decrease at a certain increase in the offer or what will the monetary price of the good be in the next period of time, due to the fact that different persons do different value judgments at different points in time.

The inadequate character of quantitative approaches results from the fact that the usage of statistics in order to establish predictable laws implies the fact that in the field of human action there can be discovered some confirmable constants, as in physics, some invariable quantitative laws. It is less probable that somebody can find quantitative constants of human behavior taking into account the fact that each individual is free to make his own choices and he can decide at whatever moment to change the future course of his actions. Moreover, even if it can be discovered an equation capable to explain the evolution of all or of some prices in the last 50 years there is no guarantee that in the next year the prices will register the same evolution. History and statistics, whose relevance is through their *a posteriori* nature, cannot teach us any principle rule or general law because their validity has to be through definition *a priori*.

The mathematical and quantitative revolutions in economic theory became subordinated to the obsessive concerns of modern economists of making predictions and testing their validity. Beyond the methodological difficulties of comprising all the explanatory variables, this prophetic approach is undermined by the phenomenon known as the incertitude principle (Heisenberg): if the positivist approach implies empiric predictions over economic phenomena, how can these be tested as long as making predictions means the very change of the causality factors?

For example, the famous economist X forecasts the appearance of a severe recession in two years time; in this context the government takes measures for fighting this imminent recession, the public and the financial markets react in the desired direction and in this manner the recession does no longer appear. But what is the meaning of this fact: that the prediction of economist X are grounded on erroneous theories, that the theories were correct but inadequate to the abstract situation or that, in opposition, he was right but the promptitude of governmental reaction impeded the occurrence of the forecasted event? There is no rational method of establishing the truth in this case.

This reasoning leads to the conclusion that the empirical testing of the economic theory is impossible, conviction shared also by the old institutionalists that unfortunately choose to abandon the path of theory. The theoretician economist embraced the path of conceptual science, as deductive edifice built on a complete ensemble of assumptions that are theoretically correct *a priori*. If the economist cannot test his hypothesis in a framework of controlled experiments, as the physician can do, on the other hand, the economist finds himself in a more favorable situation. While the physician is sure of his empirical regularities, but is in doubt regarding the validity of their generalizations, the economist builds his theory starting not from empirical and quantitative regularities, not from particular to general, but from general fundamental axioms whose value of truth is certain; from these he deduces particular implications.

These praxeological certitude lies in the fact that the economic science is compounded of a small number of fundamental principles, of general laws and of a

great number of corollaries or successive logical deductions of these principles, as Jean-Baptiste Say put it. But what are these fundamental axioms, established through introspection in the nature and the essence of human action, on which the economic theory is established?

An example of such a fundamental axiom is the very existence of human action as such: the fact that people have purposes; that they act in order to attain them, that human action necessarily develops in time; that all persons have hierarchies of preferences, etc. The logical deductions resulted from these axioms are necessarily true assumptions: the decreasing marginal utility law, the law of non-proportional productivity, the law of demand and supply, etc. However the existence of aware individual human action is the fundamental axiom of the entire system of social sciences. And the testing of such axioms becomes unnecessary and makes the object of contradiction: for example, if somebody seeks to deny that people have goals, through this exercise that person in fact assumes a certain goal. Thus it is all about simply taking into account some truth that are obvious in themselves, that do not need to be empirically proven; thus, it is like somebody would pretend the necessity to geometrically test the value of truth of the assumption “there are triangles with four sides”.

If we add up to these methodological arguments the implications of the spectacular “impossibility” theorems – the impossibility of formulating efficiency criteria independent from the ethics of property rights, the impossibility of the appearance of money without a market, the impossibility of productivity computations and rational planning under a socialist regime¹, the impossibility of “neutral” taxing, the impossibility of limiting the governmental sphere due to the logic of political competition, etc. – the result is the theoretical grounds that the economic science puts at the bottom of each intellectual effort made in the direction of correct knowledge.

¹ In the economic science, “the impossibility of economic calculus in socialism” is a “trademark” of Ludwig von Mises – the most important exponent of Austrianism. His 1920 article *Die Wirtschaftsrechnung im Sozialistischen Gemeinwesen* (English translation *Economic Calculation in the Socialist Commonwealth*, 1934) had the effect of an exploder: it proved for the first time that socialism is not a viable economic system. Mises proved that, more than the incentive problem, the central planner lacks the possibility of *ex-ante* determining the production structure and the mechanism of resource allocation. The problem resides in specifying the mechanism through which a central planning council can know which production has to be realized, in what quantities, with what techniques and raw materials, where should these be distributed, etc. Through abolishing private property over the factors of production (non-humans), socialism makes impossible the existence of exchange (of private property rights) and of the market, fact that is equivalent with the impossibility of price formation for the factors of production and thus the accountability of production costs is at its turn impossible. In Misesian terms, where no market exists, there is no price system, and where there is no price system, no “economic calculus” can exist. “The paradox of “planning” is that it cannot exist due to the absence of economic calculus. What is called a central planned economy is not at all an economy” (Mises, 1966:701).

3. The recourse to ethics

The majority of scientists share the faith that *an objective theory of justice* is impossible based on universal ethical principles. Obsessed by the efficiency criterion and by the maximizing paradigm, the neoclassic scientism from economic theory asserts that not only the means and methods used by each individuals are subjective, but anything else too. Under these assumptions, the science, *the correct knowledge* stops being a science at all and in the absence of objective criteria any intellectual approach is subject to relativity. However, this means the disappearance of borders between justice and injustice, between truth and falsity – the most secure means for dissolving the basis of the human civilization. *Anyhow the economic science teaches us that not the ethics principles are those that are subjective, but utilities and costs are subjective economic categories.*

Irrespective of the mutations that appear at the level of the technologies in economic life and irrespective of how “old” or “new” is the actual economics, the ethical character of human action and the framework in which it manifests remain indispensable. Economic life is a huge network of exchanges which, at their fundamental level do not represent exchanges of goods as such, but exchanges of property rights over the goods under question. This proves that any theory of the exchange (of the market) has to be consolidated, as preliminary fact, by the (legitimate) theory of property rights, and thus the need to know the content of law and to argue the justice and legitimacy of these laws. “*Property rights*” or “*property over rights*”? This is the great challenge of political philosophy and of economics. This is the reason for which the fundamental question to which the *science* has to find an answer is: how can the society be designed such that institutional order to be ethic and just, and to what extent does this institutional arrangement support the creation of wealth and material welfare?

I do consider that the economic science has to be sensitive to the *nature* of individual objectives and to the means employed for their accomplishment. I hereby formulate a plea for the ethical dimension of economics. The economic science is an ethical science, mostly on the basis of compulsory distinctions that appear at the level of purposes that individuals have to follow and implicitly of the means that he is legitimately empowered to use in his actions¹. Since economics operates in the institutional framework of inter-human relations, then the ethical dimension of these relations is an indispensable one. Economic theory and history show us that the creation of wealth naturally implies an ethical character through the very peaceful nature of the means employed, social cooperation through production and *voluntary* exchange of legitimate property rights, not through aggression, violence and expropriation, which are lacked of legitimacy.

¹ Not any preference can be accepted and not any type of action that would have as a result its satisfying is allowed; this is the reason for adding the attribute “legitimate” next to “means” and “goals”. The initiation of interpersonal relations (or equivalently the formation of society) implies something more than the demand of satisfying the best all the needs, expressed by all economists after Menger, Walras and Jevons.

Defining the sphere of correct (incorrect) actions constitutes the natural results of creating and enforcing the *institution of rights* that has in this way become the biggest invention of humans in their entire history, through the very fact that this institution made possible the formation and the existence of society. Only in this manner it becomes possible to define the infringements of rights, under the form of interferences in the control that an individual legitimately exercises over his properties.

Human reasoning has the capacity to discover the (natural) law, starting with the profound tendencies of human nature that are absolute, immutable and universally valid in all time and place. This means that the natural law offers an *objective ensemble of ethical norms* for evaluating the legitimacy of human actions at any time and under any circumstances (Rothbard, 1991). In this manner the rational natural right becomes the necessary guide for the nascence of the positive system of law and/or for reforming the existing legal arrangements, due to the fact that the theorists of natural right derive from the very human nature and from the natural laws, a law system independent of epoch and place, but also independent of customs, traditions and collective values.

After Max Weber the dominant position in social sciences, at least *de jure*, was the one of Wertfreiheit, the idea that science does not have to incorporate value judgments but positive (objective) statements, due to the fact that the end goals wouldn't be anything else but personal preferences that are susceptible of a rational justification. The fact that J. M. Keynes affirmed that economic science is a moral science did not impeached him to contribute, through his political implications of his work, at the destroying of the ethical character of economic science. Unfortunately, the conception of classical philosophy, according to which a system of rational norms and scientific moral values is possible, has been completely abandoned.

Today, the result is the conservation of a positive pseudo-economy, based not on the value judgments of the scientist, but on a supposed consensus over others' values. The idea that the value judgments that are necessary to the scientific approach are those of the "population" literally suffocates the social sciences. Thus, the scientific objectivity would not comprise the search for truth – whatever it may be – but the matching of conclusions with others' subjectivity, whatever little advised would they be. However, it has to be understood that value judgments do not become right or legitimate through the fact that a great number of persons adopt those convictions. Very often the scientist is associated with a "professional" asked to offer to his clients – to the public – the most adequate recipes for attaining their goals (whatever they may be?). In reality the problem is correctly stated once it is accepted *the impossibility of avoiding to choose between good and bad*. The scientist, whose ultimate purpose is the correct knowledge, cannot ignore the ethical dimension of the teachings that his research promotes.

An individual that knowingly advises a band of delinquents about the best method of breaking a safe implicitly participates at the attainment of the same

objective. The economist that advises the government regarding the best policy aimed at socializing and equalizing the wealth in society, becomes himself a means for accomplishing this egalitarian objective, irrespective of his faiths. If this economist is aware of the shortcomings of the institutional arrangement of socialism (primordially ethical, complementary economic) but, due to material reasons of personal glory, “scientifically” recommends the implementation of this system, is not at all a scientist. The same conclusion is valid when, captive in the utopia of his project, the scientist becomes incapable of distinguishing good from bad, of listening the judgments of the reason as an indispensable means for understanding his life, as it was left.

Ethics is the rule of legitimate property rights, the rule of justice, of freedom in society. Only ethical principles can provide objective criteria for consolidating life in society, by solving the potential conflicts. This implies the sanctioning of those that aim at the attainment of other purposes than the legitimate ones. Life in society implies something more than the demand expressed by neoclassical economists: the best manner of satisfying the needs, which for some would mean steal, fraud, violence and exploitation. Not any purpose can be accepted and not any means that lead to this purpose can be allowed.

Under these assumptions the only fundamental criterion that may save the scientific nature of the economy is that provided by *ethics*¹. The economic judgments become complete when they are complemented with ethics, since economics, laws and ethics are naturally correlated and represent the means for the correct understanding of the human society.

Almost all problems formulated in this article explain and reflect the epistemological and methodological crisis that characterizes the actual evolution of science, with the consequence of its depersonalization. If the things really converge in this manner than it seems that the practical solution can be only one like the teachings of Poincaré: “there is nothing more practical than a good theory” in the sense of generalizing the validity of this teaching and, in the same time, of correct theories. I do consider that the interest to make up a good, correct theory, whatever the conclusions and the implications of it may be, has to represent the milestone of whatever scientific approach and also the honesty proof of each scientist. In this manner I do plead for logic and reasoning as indispensable instruments for combating error and thus, against the relativist doctrine, as undermining the credibility of the (scientific) truth.

¹ See Murray Rothbard (1991), www.mises.org/rothbard/ethics/ethics.asp. Rothbard is the first “Austrian” that systematically recommends the utilitarian position dominant in the economic science, position represented by Mises himself in the tradition of the Austrian school of economics. The Misesian plea for the free market was argued for in a utilitarian manner, somehow empiric, through its superior efficiency. In reality the debate over the free market system has to be mainly based on ethical arguments and not necessarily (maybe just complementary) on economic efficiency ones.

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